

Know Your Benefits

Department of Transportation
Human Resources
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Military Deposits under the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS)

What is "military service" for civilian retirement purposes?

Military service for civilian retirement purposes is honorable active service in the following uniformed services: Army, Navy, Air Force, Marine Corps, and Coast Guard after 12-31-56 (also called post-1956 military service), and after 6-30-60, in the Commissioned Corps of the Public Health Service, and after 6-30-61, service in the Commissioned Corps of the National Oceanic and Atmospheric Administration and its predecessor agency. Active duty performed prior to 1-1-57 is creditable without a deposit.

Can I receive credit for service in the military reserves?

Active duty in the various reserve components of the branches listed above is potentially creditable. Thus, periods of active duty for training, such as "summer camps," performed each year are creditable military service provided the training occurred before Federal civilian service began. (When an employee performs annual active duty training service while he or she is on annual leave or military leave from a Federal agency, the service is credited as civilian service.) Normal monthly "drills" are inactive duty and are not creditable for retirement.

Is service with the National Guard creditable military service?

Service in the National Guard is generally not creditable. To learn about exceptions to this general rule, see the pamphlet, "Military Service Under the Civil Service Retirement System" at www.opm.gov/retire/fers_election/facts/ri83-2.htm.

May an employee receive credit for service with a military academy?

Yes. Service in the following academies is considered creditable military service for civilian retirement purposes: Midshipman at the U.S. Naval Academy; Cadet at the U.S. Military Academy; Cadet at the U.S. Air Force Academy; and Cadet at the U.S. Coast Guard Academy.

When is a period of military service creditable for retirement purposes?

A period of military service is creditable for retirement and death benefits purposes, subject to the following conditions:

- a. The military service was performed before the date of separation from civilian employment upon which title to annuity is based;
- b. It was active duty;
- c. It was not included in the computation of military retired pay, or if it was included in retired pay, the retired pay was awarded based on disability incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in the line of duty during a period of war; or granted under the provisions of chapter 67, title 10, of the U.S. Code (pertaining to retirement from a reserve component of the armed forces);
- d. It was honorable service; and

e. A deposit is made for military service when applicable.

Note: You may elect to waive military retired pay and have the military service added to your civilian service in computing the annuity.

What does "USERRA service" mean?

"USERRA service" is another name for military service that interrupts federal civilian service and reemployment occurs on or after 8-1-90 under the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

When is it necessary for an employee to make a deposit for military service?

The rules for crediting military service apply whether you are making a deposit for active military service that occurred prior to becoming a Federal civilian employee (post-1956 military service), or active military service that interrupts a period of Federal civilian employment (USERRA). There are different rules depending on whether you are covered under CSRS and FERS.

Civil Service Retirement System (CSRS)

The requirement for a deposit depends on whether you were first employed under CSRS before 10-1-82 or after 9-30-82. The specific rules are:

First Employed Under CSRS Before 10-01-82:

1. Eligible for Social Security benefits at age 62 and:

-- Deposit is paid. Your military service will be credited for both eligibility for retirement and computation of the annuity.

-- Deposit is **not** paid. Your military service will be credited for eligibility for retirement. If you are not eligible for Social Security at retirement, but will become eligible at age 62, your post-56 military service will be credited for computation of annuity until you reach age 62. At that time the credit for the military service is eliminated, and your annuity will be recomputed downward by subtracting the years of military service. (This is commonly called "Catch-62.") This typically reduces the CSRS annuity by 2% for each year of post-56 military service. For example, an employee age 55 with 30 years of combined service (4 years of which is post-56 military service) is eligible for retirement. If he/she does not make a military deposit and becomes eligible for Social Security at age 62, the annuity will be recomputed at age 62 and reduced by 8% (4 years x 2% = 8%). If you are eligible for Social Security at the time of retirement (normally age 62 or older), the post-56 service will not be used in the computation of your annuity.

2. Not eligible for Social Security at 62 (or retirement, if later). No deposit is required.

You will receive full credit for post-56 military service for both eligibility and annuity computation with no future reduction.

First Employed Under CSRS After 9-30-82:

You must pay the deposit in order to receive credit for the military service for eligibility for retirement as well as computation of the annuity.

Federal Employees Retirement System (FERS)

Employees subject to FERS deposit rules **must** make the deposit if they wish their military service to be creditable towards determining eligibility for FERS retirement and for annuity computation. Military service is credited under FERS if the military service was performed after the employee became covered by FERS or the employee had less than 5 years of civilian service upon becoming covered by FERS. In cases where a FERS employee has a Civil Service Retirement System (CSRS) component (at least 5 years of CSRS and/or

FICA service before becoming FERS), military service performed prior to electing FERS will be treated under CSRS rules.

How much does the military deposit cost?

Under both systems, if the military service falls under USERRA, the deposit is the lesser of the applicable percentage(s) of military base pay, or the amount of CSRS contributions you would have paid had you worked instead of going on active duty. Your HR office will provide documentation to show which method your deposit is based on.

Civil Service Retirement System (CSRS)

For periods of active military service prior to 1-1-99, the deposit equals 7% of your military base pay. For periods of military service performed during 1999 the deposit equals 7.25%; and during 2000 the deposit equals 7.40%. After 12-31-00 the deposit returns to 7% of your military base pay. (Base pay does not include allowances earned during the military service.)

Federal Employees Retirement System (FERS)

For periods of active military service prior to 1999, the deposit equals 3% of your military base pay. For periods of service performed during 1999 the deposit equals 3.25%; and during 2000 the deposit equals 3.40%. After 12-31-00 the deposit returns to 3% of your military base pay. (Base pay does not include allowances earned during the military service.)

Do I have to pay interest on the military deposit?

Both the CSRS and FERS laws provide a 2-year interest-free grace period on military deposits. After the grace period, interest begins to accrue and is compounded annually; although interest is not posted to your account until the end of the 3rd year. As a result, deposits made within 3 years of being hired, or within 3 years of returning from military service, will not be charged interest.

Civil Service Retirement System (CSRS)

For employees first employed under CSRS prior to 10-1-83, interest started accruing 10-1-85. If first employed under CSRS on or after 10-1-83, interest started accruing 2 years from the date first employed subject to CSRS. For employees first employed under CSRS prior to 10-1-83, but who separated from employment before 10-1-82, interest starts to accrue 2 years from the date the employee is reemployed in a position subject to CSRS (or FERS). If the military service was performed after the date of first employment and after 10-1-83, interest starts 2 years from the date the employee returns to a covered position.

Federal Employees Retirement System (FERS)

For employees first employed under FERS prior to 1-1-87, interest started to accrue 1-1-89. If first employed under FERS on or after 1-1-87, interest begins to accrue 2 years from the date first employed subject to FERS. For those who elected to transfer to FERS after 6-30-87, who have less than 5 years of civilian service (not counting CSRS-Interim or CSRS-Offset) before the effective date of FERS, interest begins to accrue 2 years from the date of transfer. If the military service was performed after the date of first employment and after 1-1-87, interest starts to accrue 2 years from the date the employee returns to a covered position.

How long do I have to pay the military deposit?

The earlier you pay the deposit the less interest you will have to pay, so the sooner you pay the deposit the better. However, the deposit must be paid in full before you retire.

What are the procedures to make a military deposit?

Step 1. (If you already have your estimated military earnings, go to Step 2.)

- Download Form RI 20-97, "Estimated Earnings During Military Service," from the Office of Personnel Management (OPM) website at www.opm.gov/forms/pdf_fill/RI20-97.pdf. Complete this form showing the periods of military service for which you want to make the deposit. Exception: If your military service is USERRA service, you'll need to specify periods of military service during which you were on paid leave from your civilian position (i.e., military leave, annual leave, compensatory time, or credit hours).
- Enter your name and home address at the bottom of the RI 20-97 to make sure the military finance office returns the estimated earnings information directly to you.
- When the RI 20-97 is completed, attach a copy of your DD 214(s) (Member 4 Copy) that documents both the order to active duty and release from same, and mail to the military finance office address for the applicable branch of service (listed on page 2 of RI 20-97). Exception: Reservists with USERRA service will need to take the RI 20-97 to their Reserve unit to obtain estimated military earnings if they (1) had periods of paid leave during the military service, or (2) are documenting the military service with certified military orders (AF Form 938 or equivalent) instead of DD 214.
- If you have service with more than one branch of the military (i.e., Air Force and U.S. Marine Corps), you will need to complete a separate RI 20-97 for each, and mail each to the appropriate military finance office.

Step 2.

- Once you receive your estimated military earnings, provide a copy of it, along with your DD-214 to your Human Resources office. They will estimate the amount of deposit owed.

Step 3.

- If you decide to pay the deposit, your HR office will provide you with form SF 2803 (Application to Make Deposit or Redeposit – CSRS) or form SF 3108 (Application to Make Service Credit Payment – FERS).
- Check the SF 2803 to make sure your personal information is correct, and sign and date the form.
- Your HR office will provide a form for you to indicate either payment by check or by payroll deduction.
- If you decide to pay the deposit by check, make it payable to "Department of the Interior" and note "Military deposit" on the memo line.

Step 4.

The HR office will forward your forms and check, if applicable, to the DOI Payroll office for processing.

Questions?

Please contact your servicing HR office if you have any questions.